



# Profitable Solutions for Nonprofits

Better fundraising  
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# Better fundraising

## Don't ignore state solicitation laws

Nonprofits shoulder a wide range of different compliance responsibilities. With so much to manage, the initial and ongoing requirements of applicable state charitable solicitation laws can sometimes fall through the cracks. Here's what you need to know to avoid the potentially costly consequences of failing to follow applicable laws and regulations.

### What do the laws require?

Nonprofit fundraising is the subject of intense state regulation, most often through some form of a "Solicitation of Charitable Funds Act." According to the IRS, about 40 states have enacted such laws. The laws diverge on some points, but generally are intended to protect the public from fraud and ensure transparency in charitable fundraising.

These laws apply to nonprofits that solicit charitable contributions from state residents. The definition of "soliciting" generally means directly or indirectly requesting money, credit, property, financial assistance or some other type of value to be used for a charitable purpose. State solicitation laws typically impose two types of obligations:

**1. Registration.** Nonprofits may be required to register with the appropriate state authority and pay a

fee. Registration is required *before* your organization solicits (not receives) any contributions, but states usually are lenient with late registrations if nonprofits can demonstrate a good faith reason for delays.

Registration calls for extensive information about your nonprofit's finances and governance, such as:

- › Organizational purpose,
- › Names and addresses of officers and board members,
- › Place and date of organization,
- › Data related to your use of professional fundraisers,
- › Purpose of solicited contributions, and
- › Potential conflicts of interest.

You may also need to provide documents, such as copies of your IRS determination letter, incorporation records and bylaws; financial reports; and certification by your CEO or CFO. States often require organizations to refile registrations regularly and by specific deadlines.

### **2. Financial reporting.**

Depending on the state, nonprofits may be required to provide additional financial



## What about the Unified Registration Statement?

While looking into your solicitation obligations, you may find references to the Unified Registration Statement (URS). The URS is part of an effort organized by the National Association of State Charity Officials and the National Association of Attorneys General to standardize and simplify compliance with states' various solicitation laws. It was intended as an alternative to individually filing all of the registration forms required by different states.

A streamlined approach certainly is appealing, especially for smaller organizations. But the URS has fallen short of the hopes of many in the charitable sector. For starters, the URS hasn't been updated since 2014. Some states have amended their laws and regulations over the past decade, so the URS may no longer comply with applicable requirements.

Moreover, not every state accepts the URS. Those that do might have varied rules for how the URS should be submitted. They also might have additional supplementary documentation requirements. And states may not accept the URS for renewals after the initial registration. Before relying on the URS, consult with legal or applicable counsel.

statements to state reporting agencies. Many states require contributions, gifts, grants and functional expenses to be reported according to the AICPA industry audit and accounting guide. Some states require contributions, gifts, grants and functional expenses to be reported according to Generally Accepted Accounting Principles.

Your organization may be exempt from such requirements, though. For example, most states exempt religious and certain educational institutions, public safety-related organizations, and parent-teacher associations that satisfy certain criteria. States may exempt organizations whose annual contributions fall below a specific threshold, as well. If you believe your organization qualifies for an exemption, you'll need to apply for it.

### Where do you file?

Nonprofits don't need to have a physical presence in a state to be covered by its requirements. Notably, some state solicitation laws haven't been updated to include online solicitations. It's wise to assume, though, that the laws apply to all types of online fundraising, including crowdfunding, which can easily reach multiple states.

The National Council of Nonprofits recommends that nonprofits register in their state of incorporation, any state where they have a physical presence, and any state where they target residents or have ongoing contact with residents. You may need to closely monitor the sources of your donations to ensure you're in compliance with all applicable state reporting requirements. Some large organizations avoid this hassle by simply registering nationwide, but that approach doesn't necessarily make sense for every nonprofit.

### Don't go it alone

Compliance with solicitation laws isn't just a formality. Your failure to comply can lead to substantial

finances and penalties, litigation, and loss of the right to solicit. You may also incur reputational damage. Even the loss of tax-exempt status may be on the table. Please contact us for further information on how to determine and

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satisfy your obligations under state reporting requirements. There are third-party organizations, including some law firms, that specialize in state reporting requirements. ■

# Know your board members

## Why background checks make good sense

A quick Google search can uncover many instances of nonprofit boards “gone bad,” where everything from misappropriation of funds, bullying or harassment has occurred. Organizations committed to keeping their boards collegial, supportive and effective need to pay particular attention during the onboarding stage. Specifically, use background checks when “hiring” board members.

### Background check gap

Some nonprofits are hesitant to use background checks on board members. This reluctance is understandable but misplaced. For example, it’s true that board members usually are established community members and professionals who often are recommended by people close to the organization. But esteemed individuals are hardly immune to bad behavior. In fact, perpetrators frequently leverage their positions of trust to carry out illegal schemes.

Nonprofits also may find informing a board candidate that they’re doing a check to be awkward. Board members should support such measures, though. It’s a sign of good governance that should reassure them and other stakeholders.

Finally, as with so many matters confronting nonprofits, limited resources may be a factor. Effective background checks can be expensive and time-consuming. Smaller organizations in particular can struggle with this issue, but the reasons for their hesitation are the very reasons background checks are so important. Limited funding and staff often

translate to greater reliance on board members, which in turn means the board has access to more information and greater opportunity for wrongdoing.

### Keeping standards high

Here’s why performing background checks is important. Misrepresentations about education or other past achievements can raise a red flag about an individual’s integrity and character. Falsehoods can also reveal that a person isn’t qualified for a board position that requires certain credentials or experience.

Running a check may limit your liability for a board member’s misdeeds or crimes as well. It can be evidence that you conducted reasonable due diligence, thus potentially limiting any liability for the board member’s actions. Further, bringing on reputable board members can provide stability by reducing board turnover. Background checks also send a clear message about your nonprofit’s high standards and expectations.

### Degrees of diligence

The depth of a board member’s background check will depend on several factors, such as your organization’s risk tolerance and the member’s anticipated role. Individuals who will have financial responsibilities and access to bank or brokerage accounts warrant more thorough checks — as do those who will work directly with your clients. This is especially critical if you serve vulnerable populations, such as children or the disabled.

At a minimum, search public records. Bear in mind, though, that these records might not reflect litigation and criminal convictions in every state. Also, don’t



forget that arrests aren't the same as convictions. Charges may have been dropped. In general, a comprehensive background check should also verify:

- › Employment and education,
- › Military service,
- › Driving records,
- › Personal and professional references, and
- › That they don't appear on sex offender registries.

Regardless of your check's scope, free online background checks aren't recommended. The results typically are incomplete, out-of-date and inaccurate. They may even cover the wrong person. You also shouldn't perform your own web and social media searches. The results will likely have similar problems. You could inadvertently expose your organization to discrimination claims, too, if you find information that places an

individual in a protected class. Antidiscrimination laws generally don't apply to volunteers, but any such allegations can shine an unfavorable light on a nonprofit.

Instead, engage a qualified service that complies with the Federal Credit Report Act. The Federal Trade Commission has indicated that the law's requirements may apply to situations where an entity uses individuals who aren't technically employees to perform duties — including nonprofits staffed in whole, or in part, by volunteers.

### Protect yourself

Background checks are no guarantee that a board member is reliable. But they should be an integral part of your nonprofit's risk management program. And remember that background checks aren't a one-off exercise. Update them on a regular basis — such as every two years. ■

## Is your finance committee up to the task?

When defining the responsibilities of a nonprofit's finance committee, scanning financial reports should be the bare minimum. Your finance committee should advise your board on your organization's financial health. An engaged finance committee shows a commitment to the nonprofit's long-term sustainability. Here are some best practices to consider.

### Finance committee responsibilities

Your organization's staff size and budget will determine the exact parameters of finance committee member participation. But the finance committee's fundamental duty is to communicate with the board. So it needs to work with your staff to determine the best way to convey information the board needs for sound decision-making.

Remember, not everyone understands financial statements and related jargon. Numbers require

explanation and context. Therefore, the finance committee must connect the numbers to the organization's mission, goals and strategies.

### Best practices

At a minimum, ensure your finance committee has the ability to:

**1. Set budget and financial planning. Before beginning the budgeting process,** the committee



should identify key assumptions and initiatives that will influence the process. Members and staff must discuss internal and external factors that could affect budgets over the next several years, including your strategic plan. After approval, the committee should monitor budget variances.

**2. Oversee financial reporting.** The committee oversees preparation and distribution of financial statements and sets expectations for your nonprofit's staff about the level of detail, frequency and deadlines of other financial reports. It also monitors the adequacy of financial resources and allocation toward accomplishing your nonprofit's mission. Simultaneously, the committee ensures that donor-restricted contributions are being met. Finally, it decides whether financial resources are sufficient to support expected program and operating expenses.

**3. Develop internal controls.** Internal controls are essential for protecting your organization's assets. Have your finance committee work with staff and outside experts to develop effective controls and document them. It's also up to the committee to make sure that approved controls are followed and filing deadlines are met.

**4. Administer financial resources.** The finance committee is responsible for establishing and confirming compliance with fiscal and related policies

## The finance committee establishes and confirms compliance with fiscal and related policies and procedures.

and procedures. Approved policies should reflect your organization's specific circumstances, such as size and life-cycle stage. The committee should take care, though, not to overstep. It must respect the line between oversight of general policies versus actual implementation and execution of specific staff processes and procedures.

**5. Oversee audits.** If your organization doesn't have

a separate audit committee, the finance committee is also responsible for audits. The committee must engage and regularly interact with auditors, review audit reports and IRS Form 990 filings, present audited financial statements to the board, and propose changes to implement any auditor recommendations.

**6. Create an appropriate investment policy.** Even if your organization doesn't have enough cash to support a separate investment portfolio, liquid funds need to be managed to maximize revenue. The finance committee needs to develop an appropriate investment policy and retain qualified investment advisors, when needed. A separate investment committee is advisable, though, for organizations with substantial investments, planned giving programs or endowments. And remember that fiduciary responsibility isn't

limited to finance committee members. The entire board is responsible for safeguarding your organization's net assets.

### On the road to success

An active finance committee is crucial to maintain your nonprofit's health and reputation. The success of your finance committee depends on effective communication between the finance committee, your board and your staff. ■

# The upsides of delegating tasks

Some nonprofit executives try to control as much as they can. But micromanagement isn't conducive to creating an effective team. If this sounds like you, there's a better approach: delegate. By embracing delegation, you can make the job of managing a nonprofit easier and more fulfilling — for both you and your employees.

## Hands off

Executives should devote their time to the projects that are the most valuable to their organization and that can best benefit from their talents. For example, public speaking engagements and meetings with major donors are probably best left to you and other upper-level executives. On the other hand, tasks that frequently recur, such as sending membership renewal notices, and jobs that require a specific skill in which you have minimal or no expertise, such as reconciling bank accounts, are prime delegation targets.

Before you delegate a task to an employee, consider the person's main job responsibilities and experience and how they correlate with the project. At the same time, keep in mind that employees may welcome new learning opportunities to test their wings in a new area or take on greater responsibility. Before assigning new tasks, check staffers' schedules to confirm that they actually have time to do the job well.

## Be flexible

When handing off a task, be clear about goals, expectations, deadlines and details. Explain why you chose the individual and what the project means to the organization as a whole. Also let employees know if they have any latitude to bring their own methods and processes to the task. Don't be tempted

to micromanage a delegated task. Instead, try to give staffers flexibility. After all, a fresh pair of eyes might see new and better ways to accomplish the job.

However, delegation doesn't mean dumping a project on someone and then walking away. Ultimately, you're responsible for the task's completion, even if you assign it to someone else. So, stay involved by monitoring the employee's progress and providing coaching and constructive feedback as necessary.

## Leverage talent

Ideally, delegation gives executives the time to leverage their specific talents to focus on mission-critical tasks. But don't rush the process. Match each project with the staffer most capable of handling it. When done well, delegating can help your organization with improved efficiency and productivity. ■





# LAPORTE

CPAs & BUSINESS ADVISORS

111 Veterans Memorial Blvd, Suite 600 | Metairie, LA 70005-3057  
504.835.5522 | FAX 504.835.5535

## Be Aware of the Payroll and Tax Changes in 2025

As we move further into 2025, it's crucial for nonprofit organizations to stay ahead of the curve with the latest payroll and tax updates. From changes in tax withholding limits to new state sales tax rates, these updates can have a significant impact on your operations and mission-driven initiatives. In this article we give a few key reminders and updates that matter most for your organization. Whether you're preparing for new payroll software requirements or adjusting to federal and state policy changes, this overview helps ensure you have the tools and knowledge needed to navigate the year successfully.

### REMINDERS

#### Payroll Software Updates:

Always check for payroll updates before running quarterly payroll reports to ensure compliance with the latest regulations.

#### 2025 SUTA Rate:

For Louisiana entities, log into your LaWorks.net account to access your updated 2025 SUTA rate and update it in your payroll software.

### WHAT'S NEW IN 2025

#### 1. Tax Withholding and FICA Rate/Limit Effective January 1, 2025:

The Social Security tax rate remains at 6.2%, applied to the first \$176,100 of wages (increased from \$168,600 in 2024).

Medicare tax of 1.45% applies to all wages. Additionally, a 0.9% Medicare tax applies to wages exceeding \$200,000 annually. Employers must withhold this additional tax but are not required to match it.

Employers continue to match employees' Social Security (6.2%) and Medicare (1.45%) taxes. For detailed information, visit the Social Security Administration's website:  
<https://www.ssa.gov/news/press/factsheets/colafacts2025.pdf>.

#### 2. Louisiana State Sales Tax:

Effective January 1, 2025, the Louisiana state sales tax rate increases to 5% (up from 4.45%). This rate will remain in effect until 2030, when it will decrease to 4.75%.

#### 3. U.S. Department of Labor Overtime Rule:

As of November 15, 2024, the U.S. District Court for the Eastern District of Texas vacated the Department's 2024 final rule. Consequently, the 2019 rule remains in effect, with a minimum salary level of \$684 per week and an annual compensation threshold of \$107,432 for highly compensated employees.

Pending lawsuits may lead to additional updates. For ongoing developments, visit the Department of Labor's website:  
<https://www.dol.gov/agencies/whd/overtime/rulemaking>.

#### 4. Standard Auto Mileage Rate:

Effective January 1, 2025, the IRS standard mileage rate for business use is \$0.70 per mile. Refer to IRS Notice 2025-5 for more details.

#### 5. Revised W-4 Form for 2025:

The IRS released a revised W-4 form for 2025. Only new employees and current employees making changes to their federal withholding are required to complete the updated form.

Access the revised W-4 and instructions here:

Form W-4: <https://www.irs.gov/pub/irs-pdf/fw4.pdf>

Instructions: <https://www.irs.gov/forms-pubs/about-form-w-4>

### Stay Informed

Keeping up-to-date with these changes is crucial for compliance and smooth entity operations.